Philip Morris Products SA v Ong Kien Hoe & Ors

HIGH COURT (KUALA LUMPUR) — SUIT NO D5(IP)-21–78 OF 2002
MARY LIM JC
22 MAY 2009

Customs and Excise — Jurisdiction — Free Zone area — Counterfeit products seized by customs at Free Zone area — Whether seizure lawful — Free Zone area subject to all Malaysian laws and under jurisdiction of all enforcement agencies

Trade Marks — Infringement of — Whether defendant infringed plaintiff's trademark — Counterfeit cigarettes bearing 'Marlboro' trademark seized by customs at Free Zone area — Infringement claim by plaintiff as registered proprietor of trademark against second defendant as forwarding agents — Whether infringement established — Finding that second defendant did not merely act as forwarding agents — Infringed goods used in course of trade of second defendant — Lack of knowledge or intention of infringement irrelevant — Whether infringement established

Trade Marks — Ownership of rights therein — Whether registered proprietor's rights in registered trademark are rights in rem

The plaintiff was a manufacturer and distributor of cigarettes and tobacco products under the trademark of 'MARLBORO' throughout the world. The plaintiff registered that trademark in Malaysia under Class 34. On 10 September 2002, the third defendant detained two containers containing 1350 unmarked bale boxes containing cigarettes bearing the trademark of 'MARLBORO'. These cigarettes were subsequently found to be counterfeit cigarettes manufactured without the plaintiff's authority. According to the declaration forms completed by the second defendant who were forwarding agents and filed with the third defendant, the consignors of the two containers were the first defendant. The declaration forms, packing and shipping of the goods in the containers were arranged by the second defendant. The plaintiff claimed against the second defendant for infringement of the plaintiff's trade and proprietary rights over the registered trademark of 'MARLBORO'. The infringement was said to have been committed by the second defendant by passing off or attempting to pass off counterfeit cigarettes by its action in the transshipment, storing and

transporting the counterfeit cigarettes. The second defendant was also alleged to have shown its direct complicity with the counterfeit cigarettes not only with regard to the importation and customs clearance but also in claiming ownership to obtain release and delivery of the counterfeit cigarettes to itself. The second defendant submitted, inter alia: (i) that it was merely carrying out its duties and obligations as a forwarding agent for a named principal; (ii) that it was not responsible or liable for the infringement; and (iii) that since the counterfeit cigarettes in the two containers were within the Free Zone, they were in transit and were not being imported into the country. Therefore it was argued that the cigarettes were not subjected to import duties and to Malaysian laws and consequently the seizure by the third defendant was wrong.

Held, allowing the plaintiff's claim with costs:

(1) The trademark on the cigarettes seized from the two containers bore a trademark identical to the plaintiff's registered trademark. Since the plaintiff had not authorised or licensed the second defendant to use that registered trademark there was infringement (see para 14).

(2) The second defendant was not a mere forwarding agent. On the facts the second defendant did a lot more. It was the second defendant who represented to others including the third defendant that the goods in the two containers were cigarettes. The second defendant unstuffed counterfeit cigarettes and later consolidated these cigarettes with the other consignment of counterfeit cigarettes and paper bags. The use of fictitious names and addresses admitted by the second defendant indicated the existence of some element of complicity. Further, it held itself out as the owner of the counterfeit cigarettes when claiming for their return from the third defendant. The evidence presented revealed active participation of the second defendant. In any event, the infringed goods were used in the course of trade of the second defendant and its lack of knowledge or intention of the infringement was irrelevant. Under the circumstances, there had been infringement of the plaintiff's trademark by the second defendant (see paras 15 & 26).

(3) The Free Zone is not free for all area, free of all laws or, that there is lawlessness in this zone. The enforcement agencies continue to hold jurisdiction over and in these Free Zones. In any event the issue of the validity of the seizure was immaterial and irrelevant to the success or otherwise of the plaintiff's claim. The plaintiff's rights in the registered trademark were rights in rem (see para 28).

[Bahasa Malaysia summary

Plaintif merupakan pengeluar dan pengedar rokok dan barangan hasil

tembakau di bawah cap dagang 'MARLBORO' ke seluruh dunia. Plaintif mendaftarkan cap dagangnya di Malaysia di bawah Kelas 34. Pada 10 September 2002, defendan ketiga menahan dua kontena mengandungi 1350 kotak-kotak bandela berisi rokok dengan cap dagang 'MARLBORO'. Rokok-rokok ini kemudiannya didapati merupakan rokok tiruan yang dikeluarkan tanpa kebenaran plaintif. Menurut borang perisytiharan yang dilengkapi oleh defendan kedua yang merupakan ejen penghantar dan difailkan dengan defendan ketiga, pemberi konsain kedua-dua kontena tersebut merupakan defendan pertama. Borang-borang perisytiharan, bungkusan dan penghantaran barangan dalam kontena tersebut diuruskan oleh defendan kedua. Tuntutan plaintif terhadap defendan kedua adalah berkenaan pelanggaran terhadap hak perdagangan dan hak sebagai tuan punya plaintif ke atas cap dagang berdaftar 'MARLBORO'. Pelanggaran tersebut dikatakan dilakukan oleh defendan kedua secara kelirupaan atau percubaan kelirupaan rokok tiruan akan tindakannya dalam pemindahan, penyimpanan dan pengangkutan rokok tiruan tersebut. Defendan kedua juga didakwa pembabitannya secara terus terhadap rokok tiruan tersebut, bukan hanya berkaitan pengimportan dan penjelasan kastam, malah juga dalam menuntut hakmilikan untuk mendapatkan pelepasan dan penyerahan rokok tiruan kepadanya (defendan kedua). Defendan kedua menghujah, antara lain: (i) bahawa ia hanyalah menjalankan tugas dan tanggungjawabnya sebagai ejen penghantar kepada prinsipal; (ii) bahawa ia tidak bertanggungjawab atau bertanggungan ke atas pelanggaran tersebut; dan (iii) bahawa memandangkan rokok tiruan dalam dua kontena tersebut berada dalam Zon Bebas, rokok tersebut berada dalam keadaan transit dan bukannya diimport ke dalam negara ini. Maka, adalah dihujahkan bahawa rokok-rokok tersebut tidak boleh dikenakan cukai import dan juga tidak tertakluk kepada undang-undang Malaysia dan akibatnya, rampasan oleh defendan ketiga adalah salah.

Diputuskan, membenarkan tuntutan plaintif dengan kos:

(1) Cap dagang pada rokok yang dirampas daripada dua kontena menyamai cap dagang berdaftar plaintif. Memandangkan plaintif tidak memberi kebenaran atau lesen kepada defendan kedua menggunakan cap dagang berdaftar tersebut, maka berlakulah pelanggaran (lihat perenggan 14).

(2) Defendan kedua bukan hanya ejen penghantar. Berdasarkan fakta-fakta, defendan kedua melakukan lebih daripada itu. Defendan kedua yang menjelaskan kepada yang lain-lain termasuklah defendan ketiga bahawa barangan di dalam dua kontena itu merupakan rokok. Defendan kedua mengasing-asingkan rokok tiruan tersebut dan kemudiannya menghimpunkan rokok tersebut bersama dengan konsainan rokok

tiruan dan beg-beg kertas yang lain. Penggunaan nama dan alamat palsu oleh defendan kedua menunjukkan wujudnya elemen pembabitan. Selanjutnya, defendan berlagak sebagai pemilik rokok tiruan tersebut apabila menuntut pemulangannya daripada defendan ketiga. Keterangan yang dikemukakan menunjukkan pembabitan aktif defendan kedua. Dalam sebarang keadaan, barangan pelanggaran itu digunakan dalam urusan perdagangan defendan kedua dan ketiadaan pengetahuan atau niat pelanggaran itu tidak relevan. Melihat kepada keadaan-keadaan, telah berlaku pelanggaran terhadap cap dagang plaintif oleh defendan kedua (lihat perenggan 15 dan 26).

(3) Zon Bebas tidaklah bebas bagi semua kawasan, bebas daripada undang-undang atau, zon ini tiada undang-undang. Agensi-agensi penguatkuasaan masih mempunyai bidang kuasa dalam Zon Bebas ini. Dalam sebarang keadaan, isu kesahan perampasan tidak penting dan tidak relevan kepada berjaya atau tidaknya tuntutan plaintif. Hak plaintif dalam cap dagang berdaftar tersebut merupakan hak in rem (lihat perenggan 28).]

Notes

For a case on ownership of rights in trademarks, see 12 *Mallal's Digest* (4th Ed, 2005 Reissue) para 2048.

For a case on whether defendant infringed plaintiff's trademark, see 12 *Mallal's Digest* (4th Ed, 2005 Reissue) para 2018.

For cases on jurisdiction under customs and excise generally, see 6 *Mallal's Digest* (4th Ed, 2007 Reissue) paras 136–138.

Cases referred to

Acushnet Company v Metro Gold Manufacturing Sdn Bhd [2006] MLJU 412; [2006] 7 CLJ 557, HC (refd)

McCurry Restaurant (KL) Sdn Bhd v McDonalds Corporation [2009] 3 MLJ 774, CA (refd)

Parker-Knoll Limited v Knoll International [1962] RFC 265 (refd)

Perry v Truefitt (1842) 49 ER 749, CA (refd)

Rovak v National Trade Press (1955) 72 RPC 110 (refd)

Tohtonku Sdn Bhd v Superace (M) Sdn Bhd [1992] 2 MLJ 63; [1992] 1 CLJ 1153 Rep 344, SC (refd)

Upmann v Elkan (1871–72) LR 7 Ch App 130 (refd)

Upmann v Forester (1883) LR 24 Ch D 231 (refd)

Legislation referred to

Customs Act 1967 ss 1A, 2, 50, 80, 90, 128(2), 133(1), Parts XI, XII
Free Zones Act 1990 ss 4, 18, 21, 23, 24, 26, 40(2), Schedule 10 item 5,
Trade Marks Act 1976 ss 4(1)(b), 35, 38, 38(1)(a)
Trade Marks Act 1938 [UK] s 4

A

Bahari Yeow (Rosli Dahlan with him) (Lee Hishamuddin Allen & Gledhill) for the plaintiff.
Vasanthi Rasathurai (Shafee & Co) for the second defendant.

B **Mary Lim JC:**

[1] The plaintiff who started this claim against the three defendants finally went to trial only against one, the second defendant. Along the way, the C claims against the first and third defendants were withdrawn. At the trial, the plaintiff withdrew several reliefs sought, namely paras 42.3, 42.4, 42.7, 42.15, 42.16 and 42.18 in the statement of claim.

[2] The plaintiff's claim against the second defendant is basically one of D infringement of the plaintiff's trade and proprietary rights over the registered trademark of 'MARLBORO'. The plaintiff has set out a factual matrix and explained a peculiar modus operandi upon which it claims the second defendant has infringed or has been involved in a conspiracy to injure the plaintiff's registered trademark and of unlawful interference with the conduct E of the plaintiff's trade. It is the plaintiff's case that the evidence reflects a much involved second defendant. The infringement is said to have been committed by the second defendant by passing off or attempting to pass off counterfeit cigarettes —

F (a) by its action in the transshipment, loading, unloading, reloading, transloading, storing, transitional storing, transiting, transporting, transshipping, transferring and/or dealing in any other manner in the course of trade with the counterfeit cigarettes without the consent, licence, authorisation or knowledge of the plaintiff;

G (b) without the consent, authorisation or knowledge of the plaintiff dealt in or with the counterfeit cigarettes and/or counseled, instigated, procured, enabled, directed or assisted in the doing of those same acts.

[3] The plaintiff further alleged that the second defendant has directly or H indirectly abetted the commission within or outside Malaysia which constituted acts of infringement, manufacturing and of applying false trade description and/or of supplying or offer to supply the counterfeit cigarettes under a false trade description. The second defendant is also alleged to have shown its direct complicity with the counterfeit cigarettes not only with I regard to the importation and customs clearance but also in claiming ownership to obtain release and delivery of the counterfeit cigarettes to itself.

[4] In response, the second defendant's defence is that it was merely carrying out its duties and obligations as a forwarding agent for a named

principal and is therefore innocent of the allegations made. The second defendant denied responsibility or liability for the infringement. The second defendant further pleaded that the counterfeit cigarettes in the two containers were within the Free Zone. Since these cigarettes were in transit and were not being imported into the country these cigarettes were not subjected to import duties and to Malaysian laws. The seizure by the third defendant was therefore wrong. The second defendant made an unsuccessful attempt to bring the third defendant in as a third party. An appeal is currently pending before the Court of Appeal on this. The issue is whether the second defendant is liable for infringement of the plaintiff's goods in the manner pleaded by the plaintiff.

BACKGROUND FACTS

[5] The plaintiff, a subsidiary of Philip Morris Companies Inc, manufactures, distributes and sells cigarettes and tobacco products under the trademark of 'MARLBORO' throughout the world. The plaintiff registered that trademark in Malaysia under Class 34 together with eight other trademarks. These trademarks are still valid and subsisting. This is an undisputed fact.

[6] On or about 10 September 2002, the officers of the third defendant (Director General of the Customs and Excise Department) detained two containers. The third defendant had detected irregularities pertaining to the identities of the consignors, volumes and quantities declared in the relevant forms filed with the third defendant. An inspection revealed these two containers contained 1350 unmarked bale boxes concealed in plastic gunny bags. These boxes in turn contained cigarettes bearing the trademark of 'MARLBORO'.

[7] These cigarettes were subsequently examined by *PW1*, a product specialist of the plaintiff who confirmed that these cigarettes were not genuine 'MARLBORO' cigarettes, packaged or manufactured by or under authority or control of the plaintiff. In other words it was found that these cigarettes were counterfeit cigarettes. This is not really challenged by the second defendant.

[8] According to the declaration forms completed by the second defendant and filed with the third defendant, the consignors of the two containers were the first defendant, a sole proprietor and one Kean Huat Sdn Bhd, both businesses registered in Malaysia, while the consignees were Dordrecht Aalst of Guido Gezellelaan 64, 9100 Sint Niklaas, Belgium and Ernest BV BA, Van Dijckkai No 21, Bus 5, 2052, Antwerpen, Belgium. The contents of the two containers were declared as cigarettes and paper bags shipped by the first

defendant and Kean Huat Sdn Bhd respectively. A company and business search revealed that both consignees in Belgium were fictitious. A similar search conducted with the Companies Commission of Malaysia ('CCM') disclosed that Kean Huat Sdn Bhd was not registered and was therefore a fictitious company. That being the case, no claim was made against this company. Insofar as the first defendant is concerned a search revealed that while the company exists the address declared in the declaration forms was fictitious. The declaration forms, packing and shipping of the goods in the containers were arranged by the second defendant, whose business is that of multi-modelism (door-to-door freight forwarding service). When the containers were opened by the third defendant's officers, the counterfeit cigarettes were found and the counterfeit cigarettes seized by the third defendant.

INFRINGEMENT

[9] With the registration of MARLBORO as a trademark under the Trade Marks Act 1976 ('Act 175'), the plaintiff secures certain rights. Most importantly, as the registered proprietor of the trademark the plaintiff has the exclusive right under s 35 of Act 175 to the use of this trademark in relation to cigarettes. Pursuant to s 35, the fact that the plaintiff is registered as proprietor of the trademark is prima facie evidence of the validity of the original registration of the trademark and of all subsequent assignments and transmissions thereof.

[10] Section 38 of Act 175 provides for how an infringement may arise:

> 38 A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or registered user of the trade mark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken either —
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> (a) as being use as a trade mark.

[11] In *Tohtonku Sdn Bhd v Superace (M) Sdn Bhd* [1992] 2 MLJ 63; [1992] 1 CLJ 1153 Rep 344 the Supreme Court held that a registered trademark is infringed when a person uses a mark that is identical with the registered trademark; so nearly resembling that registered trademark as is likely to deceive; or so nearly resembles the registered trademark as likely to cause confusion.

[12] In *Parker-Knoll Limited v Knoll International* [1962] RFC 265 at p 273 Lord Denning differentiated between 'to deceive' and 'to cause confusion':

> Secondly 'to deceive' is one thing. To 'cause confusion' is another. The difference is this: When you deceive a man, you tell him a lie. You make a false representation to him and thereby cause him to believe a thing to be true which is false. You may not do it knowingly, or intentionally, but you still do it, and so you deceive him. But you may cause confusion without telling him a lie at all, and without making any false representation to him. You may indeed tell him the truth, the whole truth and nothing but the truth, but still you may cause confusion in his mind, not by any fault of yours, but because he has not the knowledge or ability to distinguish it from the other pieces of truth known to him or because he may not even take the trouble to do so.

[13] It is clear from this explanation that it is immaterial whether the second defendant has intention or knowledge of the infringement. See also *Acushnet Company v Metro Gold Manufacturing Sdn Bhd* [2006] MLJU 412; [2006] 7 CLJ 557. Similarly, in *Upmann v Forester* (1883) LR 24 Ch D 231 the defendant imported 5000 cigars in boxes bearing a spurious trademark. The defendant claimed he was not aware of any infringement of the plaintiffs' right until he was served with the writ, and that he never intended to sell or distribute the boxes. Despite that, the court found the defendant liable. At p 237 Chitty J said:

> … Although the defendant's misfortune that the boxes should bear a spurious trademark, yet, according to the authorities, he must be held to have committed a clear infringement of the plaintiff's right sufficient to entitle the plaintiffs to an injunction for the purpose of this action. The infringement of a patent and of a trademark may be treated on the same footing, the question being one and the same, namely, whether the right of exclusive user has been infringed. In the case of *Adair v Young* the question was whether the master of a ship fitted up with pumps; which were an infringement of letters patent, was liable for the infringement, although he had nothing to do with putting the pumps on board, and had never used the pumps in British waters. It was held in the Court of Appeal that he was so liable, the ground of the decision being not that he had used the pumps in the sense of having put them in active use, but that the fact of the pumps being upon the ship constituted sufficient evidence of an intention to use them, and the court held that an injunction granted in the court below must be sustained. The importation of the spurious articles would amount to an infringement and the defendant remains liable regardless of his intention towards the spurious articles. Innocence is therefore not a defence to an infringement of registered trademark.

FINDINGS

[14] There is no doubt that the trademark on the cigarettes seized from the

two containers bear a trademark identical to the registered trademark of the plaintiff. Since the plaintiff has not authorised or licensed the second defendant to use that registered trademark there is infringement.

[15] Relying on *Rovak v National Trade Press* (1955) 72 RPC 110 learned counsel for the second defendant submitted that it cannot be liable because the second defendant had not used the trademark in the course of trade in the cigarettes for which the cigarettes were registered and as envisaged under s 38. Its trade is only of a forwarding agent. In *Rovak* the question was whether the publishers of a directory called the 'Branded Merchandise and Trade Marks Directory' who had erroneously published S Aronsohn Ld as the registered proprietors of the trademark 'Weatherite' in relation to weatherproof clothing and sports wear, had thereby infringed the trademark belonging to the plaintiff. The court answered that question in the negative. In coming to that determination, the court had to consider whether the publication in the directory was a use in the course of trade. At p 111 the court said:

> As I have said, there is no authority that assists me in this matter; but it does seem to me that the governing words in these cases are 'in the course of trade', and in the course 'of trade' means … in the course of trade in those goods. If I take the first part of the section as it stands alone … I cannot see that the fact that a person has improperly said, in a directory or other publication, that AB is the proprietor of a trademark is a 'use' of the trademark by that person who has made the statement. If he had been authorised by that person to make that statement it would be a 'use' by that person; but I cannot see it as a 'use' of a trademark by the person who has made the incorrect statement. He is not applying it to goods himself; he is not dealing with goods, and he is certainly not 'using' it 'in the course of trade' and 'in relation to those goods'. He is using it in the course of his own trade which is that of a publisher or a trade directory; and although the words in s 4(1)(a), taken by themselves, give some colour to the argument which has been put before me by the plaintiffs, I think it all comes back to the question as to what is a 'use' under this section. I think that the publication does not amount to a 'use'; and, although I am far from saying there may not be a remedy, the remedy of infringement under the Act, which has been chosen in this case, is not appropriate and I do not think it comes within the words of the Act.

[16] However this decision is not appropriate for several reasons. Section 4 of the English Trade Marks Act 1938 in that case is not in pari materia with s 38 of Act 175. The section contains a deeming operative and the case concerns the application of s 4(1)(b) while the facts of this case concerns s 38(1)(a).

[17] In the instant case, the second defendant has been in the business of freight forwarding since 1994. It receives goods that have been packed and arranges for their onward shipment to the destinations of the consignees according to the instructions of the consignors. The details of the

consignment are set out in the appropriate declaration forms completed and filed with the third defendant. All this was carried out by the second defendant in the course of its trade. The consignment is only ever opened when there is a request by the customer to repack or consolidate in any manner as instructed. Otherwise the consignment remains sealed.

[18] This was the evidence given by DW1, a director of the second defendant in relation to the shipping arrangements for the counterfeit cigarettes. According to her, she was approached by a person called Frankie via telephone. Frankie enquired about a shipment of cigarettes from Singapore for Europe that will transit in Malaysia in the Free Zone area. She then meets up with Frankie at Hotel Nikko. Upon her advice, Frankie provided the shipper's commercial invoice together with the shipping manifest naming a local company that will clear the cigarettes. Using details from the manifest and the commercial invoice the second defendant prepared Form ZB1. This form is required by the Free Zone authorities to clear goods into the Free Zone. On 20 July 2002, the cigarettes arrived in a container. After clearing them with the Free Zone authorities the second defendant unstuffed the cigarettes by taking them out as it is and storing the cigarettes in a warehouse at West Port as instructed by Frankie. A month later DW1 was again approached by Frankie for another consignment of cigarettes also for transshipment into and out of the Free Zone to Europe. This shipment arrived and once again after clearing with the authorities the second defendant removed the cigarettes from the container and packed them into an outgoing container that was shipping out on 4 September 2002. On 7 September 2002 DW1 met Frankie for the third time. This time the second defendant was to transship paper bags due to arrive at West Port on 9 September 2002. The second defendant was to take out the cartons of paper bags and consolidate (pack together) them with the two earlier consignments of cigarettes still in storage at a warehouse in West Port. The second defendant carried out these instructions. After mixing the contents of these consignments, the result was two containers — Nos HDMU4280534 and HDMU4125190 both containing cigarettes and paper bags and bound for export to Belgium. These two containers were the very same containers detained by the third defendant for irregularities in declaration forms. The cigarettes found in these containers were counterfeit cigarettes.

[19] From the evidence presented and from the thrust of the plaintiff's case it is the entirety of the factual matrix and the modus operandi which needs to be weighed in making the evaluation of whether there is a case as pleaded. It is indeed true that the common law is frequently tested against new circumstances in the tort of passing off or other associated wrongs related to intellectual property appear. In the recent decision of *McCurry Restaurant*

(KL) Sdn Bhd v McDonalds Corporation [2009] 3 MLJ 774 after tracing the law of passing off to the case of *Perry v Truefitt* (1842) 49 ER 749 the Court of Appeal said:

> Notice that the judgment of passing off the goods of another. That is because the words were uttered when the tort was in an embryonic state, with commerce and industry at very basic levels. But the common law is not static. It does not rest upon a Procrustean bed. It is organic. And flexible. It grows to meet changing conditions with dynamism. So, as the nature of trade and commerce developed, so did the tort. As persons found new ways of committing 'theft' of intellectual property, the common law rose to the challenge. This was indeed recognised by Lord Diplock in the leading case of *Erven Warnick BV v Townend & Sons (Hull) Ltd* [1978] 2 All ER 927, who said:
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> > Unfair trading as a wrong actionable at the suit of other traders who thereby suffer loss of business or goodwill may take a variety of forms, to some of which separate labels have become attached in English law. Conspiracy to injure a person in his trade or business is one, slander of goods another, but the most protean is that which is generally and nowadays, perhaps, misleadingly described as passing off. *The forms that unfair trading takes, will, alter with the ways in which trade is carried on and business reputation and goodwill acquired.* (Emphasis added.)
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> The modern restatement of the tort is to be found in the judgment of Sir Thomas Bingham MR in *Tattinger SA v Allbev Ltd* [1993] FSR 641:
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> > But it is now, as I understand, clear that the defendant need not, to be liable, misrepresent his goods to be those of the plaintiff if he misrepresents his goods or his business as being in some way connected or associated with the plaintiff's.

[20] Upon examining the evidence of the second defendant I do not find the second defendant as a mere forwarding agent. On the facts the second defendant did a lot more.

[21] Firstly, the whole process from documentation to the handling of the cigarettes or the consignment is part and parcel of the course of the second defendant's trade or business as a forwarding expert. The second defendant's use is not as a private consumer. The documentation work related to the clearance of the cigarettes was an integral part of the expertise and trade of the second defendant. It is the second defendant who represented to others including the third defendant that the goods in the two containers were cigarettes. Obviously these cigarettes must have a brand or be of a particular make, whatever that may be. The fact that the contents of the two containers cleared the Free Zone authorities indicates that these authorities must have believed that the second defendant was authorised or licensed to 'use' in the sense of handling the cigarettes and clearing them in the course of its trade as a forwarding agent.

[22] Secondly, the second defendant unstuffed counterfeit cigarettes and later consolidated these cigarettes with the other consignment of counterfeit cigarettes and paper bags. This required the second defendant to open up the containers and deal with their contents. Although there is no need for the second defendant to know for a fact that these cigarettes bore some particular registered trademark, it is naive to suggest that the second defendant is not aware at that time that it is handling cigarettes bearing the trademark 'MARLBORO'. Having being in the forwarding business for almost 15 years it is fair to impute that the second defendant is at least generally aware of trademarks and counterfeiting or infringements of trademarks. Having opened the containers to consolidate their contents the trademark must have been obviously displayed.

[23] Next, the use of fictitious names and addresses admitted by the second defendant indicates the existence of some element of complicity. Given that s 133(1) of the Customs Act 1967 (Act 235) makes it an offence to, inter alia, make a declaration which is untrue or incorrect in any particular, I agree with the submissions of learned counsel for the plaintiff that the evidence of DW1 and DW2 that the second defendant is not obliged to ensure accuracy of the particulars in the documents presented for clearance of the cigarettes to be unsustainable both in law and on the facts. On the contrary, ss 80 and 90 mandate the second defendant with certain duties and liabilities for ensuring the completeness and accuracy of the details of the goods declared.

[24] In *Upmann v Elkan* (1871–72) LR 7 Ch App 130 the court rejected the submission that a carrier being a mere carrier cannot be liable. According to Lord Hatherley LC:

> It has been argued that the plaintiffs were not entitled to an injunction against the defendants, who had been guilty of no offence, being merely carriers receiving goods, which, though fraudulently marked, were not for their own use, nor to be sold by them for their own benefit, but were received merely for the purpose of transmitting them to the persons to whom they were consigned.
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> I cannot conceive a doctrine more dangerous or mischievous, or more fatal to the authority of the court with respect to trademarks. If that argument prevailed, any persons being abroad, as was the case in this instance, and minded to commit frauds upon the English trademark, could easily do so by sending their different consignments together to persons in the position of the defendants, who appear to be respectable agents and warehousemen, thereby committing an injury in a manner most convenient for themselves, and very mischievous to the person entitled to the benefit of the trademarks.

[25] Further, and this is significant — the plaintiff held itself out as the owner of the counterfeit cigarettes within the context of Act 235 when claiming for their return from the third defendant. Section 128(2) allows 'any

person asserting that he is the owner of such goods or the proceeds of sale of such goods, as the case may be, and that they are not liable to forfeiture may give written notice to a senior officer of customs that he claims the same'. Section 2 defines an 'owner' in respect of goods to include any person 'holding himself out to be the owner, importer, exporter, consignee, agent or person in possession of, or beneficially interested in, or having any control of, or power of disposition over, the goods'. Section 40(2) of the Free Zones Act 1990 ('Act 438') also provides for return of goods seized within the Free Zone. Section 40(2) reads: 'Any person asserting that he is the owner of such goods and that they are not liable to forfeiture may personally or by his agent authorise in writing give written notice to a senior officer of customs that he claims the same.'

[26] Though this claim was subsequently abandoned, it is indicative of how the second defendant perceived its role in the whole transaction. I find that the evidence presented reveal active participation of the second defendant. It would indeed be mischievous and dangerous to allow the second defendant to now retreat into his role play as a passive forwarding agent. In any event, the infringed goods were used in the course of trade of the second defendant and his lack of knowledge or intention of the infringement is irrelevant. Under the circumstances, there has been infringement of the plaintiff's trademark by the second defendant.

FREE ZONE

[27] A related issue raised by the second defendant concerns the jurisdiction where the cigarettes were seized. The contention of the second defendant is that the counterfeit cigarettes were seized within the free zone. The submission here is that the Free Zone is deemed to be a place outside Malaysia. According to s 1A of the Customs Act 1967 and ss 2 and 50 and item 5 in Schedule 10 of the Free Zones Act 1990 ('Act 438'), a Free Zone is a place outside Malaysia. That being so, not only is there no levy within this zone, the laws in Malaysia including the Trade Marks Act 1967 do not apply. Learned counsel for the second defendant submitted that 'goods in transit' are also exempted from seizure.

[28] Having read the relevant provisions of the law, I respectfully disagree with learned counsel for the second defendant. The purpose for the establishment of Free Zones is clearly set out in the long title to the Free Zones Act — '*… for promoting the economic life of the country and for related purposes*'. As part of the efforts towards promoting economic life, s 4 of the Act provides that except for those specifically and absolutely prohibited by law, goods or services of any description may be brought into, produced, manufactured or provided in a Free Zone without payment of any customs

duty, excise duty, sales tax or service tax. Where the goods fulfilled the conditions set under the Act, the goods are exempted from these payments. But that does not mean that the Free Zone is free for all area, free of all laws or, that there is lawlessness in this zone. The enforcement agencies continue to hold jurisdiction over and in these Free Zones. This is evident from ss 18, 21, 23, 24 and 26 of Act 438 and the provisions of Parts XI and XII of Act 235. In any event the issue of the validity of the seizure is immaterial and irrelevant to the success or otherwise of the plaintiff's claim. The plaintiff's rights in the registered trademark are rights in rem.

[29] Finally on quantum. PW1 has given evidence of the street value and explained how the value of loss is calculated. This has not been seriously challenged by the second defendant.

[30] Having therefore given due and serious consideration to the submissions and authorities of both learned counsel and in particular the oral and written evidence adduced, I find that the plaintiff has proved its case on a balance of probabilities. Accordingly, I allow the plaintiff's claim with costs.

Application allowed with costs.

Reported by Kanesh Sundrum